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UPDATE

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## Can Hollywood Help Rescue Michigan?

When filming "Gran Torino" in the Detroit area, Clint Eastwood called Michigan "the next film capital of the world."

While it may sound like a joke, Hollywood filmmakers are taking a new look at the Wolverine State.

As Detroit's auto industry crumbles, leaving the state with the highest unemployment rate in the nation and a substantial budget gap, state lawmakers are turning to alternative sources of revenue, notably from the film industry.

In 2007, the Michigan legislature passed an ambitious film incentive package that offers generous tax rebates to filmmakers who produce their films in the state.

Under the new tax credit plan, the Michigan Film Office has approved more than 70 film, television and digital media projects, 32 of which were completed in 2008, including Eastwood's "Gran Torino" and an HBO television series pilot. Stars like George Clooney and Hilary Swank have popped up around the state.



The new legislation gives a 40 percent tax credit to film, television and digital media projects done in Michigan. Producers can also receive an additional 2 percent for hiring workers and filming in so-called "core communities." These incentives mean that for every \$1 million that producers spend in Michigan, they are eligible for up to \$420,000 back in tax rebates.

According to a March study by Michigan State University's Center for Economic Analysis, Hollywood has taken notice.

In the nine months since the legislation passed, production expenditures in the state soared from \$2 million to nearly \$70 million, employing nearly 3,000 people. The report expects film expenditures in Michigan to double in 2009.

While some may scoff at the suggestion that Motown has much to offer Tinseltown filmmakers, Mike Shore of the Michigan Economic Development Corporation insists that it's not that much of a stretch. As the epicenter of automobile manufacturing, Michigan has long been a site for filming car commercials and manufacturing shoots. Industrial film work "has always been a part of Michigan culture," Shore said.

### Hollywood Feeling the Pinch

For the incentives to leave a lasting impression on the Michigan economy, state officials are pushing infrastructure projects that will bring steady employment to Michigan workers. As part of that plan, two major companies are slated to open in the state later this year. A \$70.7 million studio called Motown Motion Pictures will open in an abandoned General Motors plant, expecting to hire at least 3,000 workers, and a former MGM Grand Casino in downtown Detroit will house an \$86 million digital effects studio.

While other states have established similar tax credit programs for moviemakers, Michigan's offers one of the nation's largest rebates and California is beginning to feel the effects, reporting a record low number of shoots taking place in Hollywood, according to the Los Angeles Times.

Jim Burnstein, a University of Michigan screenwriting professor and vice chair of the Michigan Film Office Advisory Council, says the state offers more than a large tax rebate to filmmakers scouting locations outside L.A. and New York, from cheaper real estate prices to geographic variety.

"Someone once asked me, 'Can the Upper Peninsula be Alaska in winter?' and I said, 'It is Alaska in winter,'" Burnstein said.

Shore adds that Michigan's plan for taking a bite out of the film industry is just one of the ways that the state is looking to diversify its economy, especially with Detroit auto giants GM and Chrysler teetering on the brink of collapse.

"Michigan's recession started about eight years ahead of everyone else's and Gov. [Jennifer] Granholm -- starting basically in 2004 -- directed our organization and other agencies to create jobs in new fields."

The Michigan Economic Development Corporation has been channeling money into national ad campaigns that promote outside investment in the state, from "Pure Michigan" tourism commercials voiced by actor Tim Allen, to the "Upper Hand" advertisements featuring actor Jeff Daniels urging businesses to come to Michigan.

### 'Diversifying responsibly'

Although many supporters of the tax incentives are pleased with the foundations they have built, critics worry that giving taxpayer money back to production companies in the form of huge rebates is irresponsible in the midst of a recession. They argue that similar programs in states like Wisconsin and Rhode Island have begun to consider restricting incentives that have ended up costing them money in the long run.

Some Michigan state senators introduced legislation this year that would keep the tax incentives for filmmakers but lower them to 35 percent while investing more money in infrastructure projects. The two bills would cap the number of credits to \$50 million a year.

Republican State Senator Nancy Cassis, who co-sponsored the bipartisan bills, notes that with a \$1.6 billion state budget deficit to worry about, the tax credits are not all that they are cracked up to be.

"These credits," Sen. Cassis argues, "they seem to be sweet like cotton candy, but there's no real nourishment there."

She cites an analysis by the Senate Fiscal Agency that found Michigan is not making its money back for every dollar in credits given to filmmakers.

"We believe that there is reasonable and responsible way of looking at a credit but we can't put all our eggs in one basket," Cassis said. "We want to diversify responsibly."

But proponents of the incentives contend that curbing the aggressive tax incentives could discourage filmmakers from coming to Michigan at all, and turn them to other states instead.

While Mike Shore dismisses the idea that producing films in Michigan is a cure-all for the state's economic problems, he believes that the "glamour factor" of the program has an added benefit in itself.

"[The incentives] show folks that in fact we are doing things to bring jobs here. I can talk until I'm blue in the face about advanced batteries [a state-funded program to develop batteries for electric vehicles] but it won't draw as much as attention as saying that movie stars like Clint Eastwood and Drew Barrymore... that previously flew over Michigan between L.A. and New York, are now stopping here," he said.

Granholm and other supporters say that they are just laying the foundations for an industry that has enormous potential to pick up the state's hurting economy as well as its spirits.

Referring to popular condemnation of Michigan's one-track mind auto industry, Burnstein says, "You get the feeling that Michigan is the whipping boy" for many of the nation's economic problems.

According to Burnstein, nothing beats the excitement of movie stars filming in a down-and-out community. At a recent screening of "Gran Torino," moviegoers broke into applause when it said "Made in Michigan" at the end of the credits.

Burnstein adds, "I can't put a price on that kind of boost in morale."

Cassis maintains that spending too much on these tax credits takes away valuable resources for small business, health care, education and other sectors that desperately need help.

But as long as the tax incentives build the infrastructure necessary to developing a Hollywood outpost in Michigan, Burnstein still thinks that the state is on the right track.

"It's not brain surgery," he says, adding a quote from a movie filmed in another Midwestern state, "If you build it, they'll come."

---- By Kate Stanton, Online NewsHour

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